



**CIVIL** ENGINEERING



# Civil Engineering Public Company Limited

Management Discussion and Analysis

of Consolidated Financial Statements

for the first quarter ended 31 March 2022



## Management Discussion and Analysis of Consolidated Financial Statements for the first quarter ended 31 March 2022

Statements of consolidated comprehensive income	3M22	3M21	Change (YoY)	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Revenues				
Revenues from construction services	1,608.86	1,110.99	497.87	44.81%
Sales of construction materials	31.32	67.40	(36.08)	(53.53%)
Rental income	4.10	3.80	0.30	7.89%
Other income	5.14	4.63	0.51	11.02%
<b>Total revenues</b>	<b>1,649.42</b>	<b>1,186.82</b>	<b>462.60</b>	<b>38.98%</b>
Expenses				
Cost of construction services	1,477.81	966.39	511.42	52.92%
Cost of sales of construction materials	29.04	63.83	(34.79)	(54.50%)
Cost of rent	2.53	2.59	(0.06)	(2.32%)
Administrative expenses	81.71	64.35	17.36	26.98%
<b>Total expenses</b>	<b>1,591.09</b>	<b>1,097.16</b>	<b>493.93</b>	<b>45.02%</b>
<b>Profit from operating activities</b>	<b>58.33</b>	<b>89.66</b>	<b>(31.33)</b>	<b>(34.94%)</b>
Finance income	0.15	0.16	(0.01)	(6.25%)
Finance cost	(1.19)	(1.79)	(0.60)	(33.52%)
<b>Profit before income tax expenses</b>	<b>57.29</b>	<b>88.03</b>	<b>(30.74)</b>	<b>(34.92%)</b>
Income tax expenses	(16.98)	(18.88)	(1.90)	(10.06%)
<b>Profit for the year</b>	<b>40.31</b>	<b>69.15</b>	<b>(28.84)</b>	<b>(41.71%)</b>
<b>Earnings per share (Baht)</b>	<b>0.06</b>	<b>0.14</b>	<b>(0.08)</b>	<b>(58.36%)</b>

Statements of consolidated financial position	31 March 2022	31 December 2021	Change	
	Amount (Million Baht)	Amount (Million Baht)	Amount (Million Baht)	Percentage
Assets	7,563.32	6,526.31	1,037.01	15.89%
Liabilities	5,852.37	5,754.21	98.16	1.71%
Shareholders' equity	1,710.95	772.10	938.85	121.60%



### Summary of operating performance

The Company and its subsidiaries attained net profit attributable to shareholders for the for the three-month period ended 31 March 2022, amounting to 40.31 million baht, a decrease from the same period of the previous year by 28.84 million baht or 41.71%. This was mainly due to the growth in construction revenues. On the other hand, the trend of gross margins of construction projects in the current year tended to be lower due to the proportion of revenue recognition from the railway projects in this period are higher than the road and airport projects. Normally, the railways projects have average of gross margins lower than the other construction projects. Meanwhile, revenues from the sales of construction materials declined from the same period of the previous year, but it did not affect the net profit significantly. Moreover, there was an increase in administrative expense in this quarter from depreciation expense of machines which is under the installation process for new construction projects. Therefore, the overall net profit is declined.

### Revenue from construction services

The Company and its subsidiaries had revenues from construction services of 1,608.86 million baht or 97.54 % of total revenue, an increase of 497.87 million baht from the same period of the previous year, or 44.81%. This was mainly due to the revenue growth from railway projects in the current year and the continuous progress of the construction projects starting from the second half of the previous year such as high-speed railway projects which have more construction areas. Besides this, the volume of construction projects during the current year is higher than the same period of the previous year, which comes from the benefit of highly expanded backlog projects in the previous year. Meanwhile the works are expedited to be handed over according to the contracts. So, there is a significant increase in construction revenues.

### Revenue from sales of construction materials

The Company and its subsidiaries had revenues from sales of construction materials of 31.32 million baht or 1.9% of total revenue, a decrease of 36.08 million baht from the same period of the previous year or 53.53%. This was due to a decrease in the volume of construction material sales, mainly from the trend of rising commodity prices, such as steel and concrete, which increased the burdens on some subcontractors. Therefore, some subcontractors turned to manage their procurement from other sources themselves or slowed down purchasing, whereas some new subcontractors chose to accept the jobs only on part of the labor force.

### Revenue from rental

The Company and its subsidiaries had rental revenues of 4.1 million baht or 0.25% of total revenue, an increase of 0.3 million baht from the same period of the previous year or 7.89 %, as a result of the increased in revenue from office space rental due to new tenants for rental agreements in the current year. Moreover, there were an increased in machinery rental in this period.



### Cost of construction services

The Company and its subsidiaries had cost of construction services of 1,477.81 million baht, an increase of 511.42 million baht from the same period of the previous year or 52.92%, in accordance with an increase in revenue from construction services. The Company and its subsidiaries had gross profit of 131.05 million baht, a decrease of 13.55 million baht from the same period of the previous year or 9.37%. The gross profit margin for the three-month period ended 31 March 2022 was 8.15%, a decrease from the same period of the previous year of 13.02 %. The main factor is due to the gross profit of the current year having a downward trend from the proportion of the revenue from construction services came from the railway projects more than the road projects. The group of railway projects had a lower gross margin than the others. As a result, the gross profit of the construction projects was lower than the same period of the previous year.

### Cost of sales of construction material

The Company and its subsidiaries had cost of sales of construction material of 29.04 million baht, a decrease of 34.79 million baht from the same period of the previous year or 54.5%, in line with the decrease in revenue from sales of construction materials in the year. The Company and its subsidiaries had gross profit of 2.28 million baht, a decrease of 1.29 million baht from the same period of the previous year, or 36.13%. The gross profit margin of sales of construction materials for the three-month period ended 31 March 2022 was 7.28%, an increase from the same period of the previous year of 5.30% due to the cost of sales of construction materials from economies of scale following the use of information technology systems for efficient procurement planning. Therefore, the gross margin increased slightly.

### Cost of rent

The Company and its subsidiaries had cost of rent of 2.53 million baht, a decrease of 0.06 million baht from the same period of the previous year or accounted for 2.32%, with the gross profit of 1.57 million baht, an increase of 0.36 million baht from the same period of the previous year. The gross profit margin of the three-month period ended 31 March 2022 was 38.29%, an increase from the same period of the previous year of 31.84%, which affected the higher gross margin due to an increase in revenue from machinery rental which normally has high gross margin. Therefore, the gross profit and gross margin from this segment increased when compare with same period of the previous year.



### Other income

The Company and its subsidiaries had other income of 5.14 million baht, an increase of 0.51 million baht from the same period of the previous year or 11.02 %. This was due to an increase of revenue from a joint venture management fee.

### Administrative expenses

The Company and its subsidiaries had administrative expenses of 81.71 million baht, an increase of 17.36 million baht or 26.98% from the same period of the previous year. This was mainly due to 1) the increased depreciation of unused machinery under the installation process for new projects 2) the increasing costs related to employees from the increased manpower rate and an annual salary increase to support new construction projects with continuous growth of the Group. Besides this, there was an increase of machinery maintenance fee to support new construction projects throughout the year. However, the administrative expense to sales ratio decreased from same period of the previous year from 5.4% to 5.0%.

### Financial cost

The Company and its subsidiaries had financial cost of 1.19 million baht, a decrease of 0.6 million baht when compared to the same period of the previous year or 33.52%, due to continuous repayment of interest-bearing debts. Also, there was a debt-to-equity ratio according to the consolidated financial statements of 3.42 times, a decrease from the end of the previous year of 7.45 times due to the capital increased from IPO. Thus, the shareholders' equity increased significantly. Moreover, the interest-bearing debt-to-equity ratio was 0.92 times, a decrease from the end of the previous year of 2.35 times. The Company and its subsidiaries had no obligations from borrowings that must maintain any financial ratios.



## Consolidated statements of financial position

### Assets

As of March 31, 2022, the Company and its subsidiaries had assets of 7,563.32 million baht, an increase of 1,037.01 million baht from the end of the previous year or 15.89%, mainly from: (1) an acquisition of investments in low risk open-end funds (2) an increase in unbilled receivables (following the progress of work that not yet up to hand-over period) and (3) cash and cash equivalents from capital increase in share capital from IPO and advance payments receivables for large construction projects. The main components of assets as of March 31, 2022 were (1) unbilled receivables, (2) cash and cash equivalents, (3) property, plant, and equipment, (4) trade and other receivables, and (5) other current financial assets.

### Liabilities

The Company and its subsidiaries had liabilities as of March 31, 2022, of 5,852.37 million baht, an increase of 98.16 million baht or 1.71%, mainly due to an increase in construction revenue received in advance from large construction projects and trade and other payables. This was in line with the growth in the size and number of construction projects. On the other hand, the Company and its subsidiaries repaid short-term loan by using the partially of money from IPO and also gradually repaid long-term loans, including normal lease liabilities.

The main components of liabilities as of March 31, 2022, were (1) construction revenue received in advance from hirers, (2) trade and other payables, (3) short-term loans from financial institutions, (4) retention payables, and (5) liabilities under rental agreements.

### Shareholder's equity

The Company and its subsidiaries had shareholder's equity as of March 31, 2022 amounted to 1,710.95 million baht, an increase of 938.85 million baht from the previous year or 121.60% due to the capital increase from IPO in 2022 of 898.54 million baht. Meanwhile, total comprehensive income for the three-month period ended March 31, 2022 amounted to 40.31 million baht.

### Cash flow

The Company and its subsidiaries had net cash inflow from operating activities of 108.66 million baht, divided into cash increase from operating results of the Company and its subsidiaries of 129.18 million baht, as well as changes in operating assets and liabilities (Working Capital) in the amount of 20.52 million baht, mainly from an increase in unbilled revenue from construction. On the other hand, cash increase from an increase of advance payments received for construction and a decrease of advance payments to contractors and trade and other payables. Besides this, there was cash outflow in investing activities amounted to 507.20 million baht due to the increase in



**Cash flow (Continued)**

short-term bond fund. There was cash inflow in financing activities amounting to 621.95 million baht mainly from the capital increase from IPO. However, there was a repayment of liabilities under finance lease agreements and short-term borrowings for construction projects, resulting in the Group's net cash increasing from the previous year of 223.42 million baht.